

Industrial Organization

Economics 340(1), Fall 2017

Tuesdays and Thursdays, 11:00-12:15

Classroom CPS 322, Office CPS 336D

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Office Hours: TTh 10:00 to 10:50, MW 2:30 to 3:20

About the Course.

Industrial organization studies the behavior of firms under alternative market settings, emphasizing strategic interaction among competitors. In this course, we depart from the perfectly competitive market assumptions and start investigating the causes and consequences of market power. We learn how economic and strategic considerations shape firms' decisions with respect to production, pricing, product differentiation, and advertising. The course's focus on competitive strategy and marketing practices should be of interest to business majors.

Course Requirements.

Your grade in the course will be based on homework, two midterm exams, and a final exam. The breakdown of your final grade will be as follows:

Homework	20%	Periodically
First Exam	20%	October 12
Second Exam	30%	November 16
Final Exam	30%	Thur., Dec. 21 (10:15-12:15)

Homework will largely consist of analytical problem solving and short answer questions. These questions will provide valuable practice for exams. Student cooperation and discussion of the material and homework is encouraged, but the homework you hand in must be your own work. Any evidence to the contrary will result in a zero grade for your homework. All homework is due at the beginning of the class period. No late homework will be accepted. In calculating your homework average, I will drop the lowest score.

Exams will consist of a mixture of problem solving, graphical, definitions, and multiple-choice questions. I do not give make up exams. Only under the most extraordinary of circumstances will I excuse a student from taking an exam. You will need my prior consent and proof of the relevant circumstances to be excused. If you do miss an exam (legitimately), I will reallocate the weights of other exams to compensate for the missed exam.

Your final grade will be based upon the calculation of your final average based upon the above weights.

A	92.5+
A-	90.0 – 92.4
B+	87.5 – 89.9
B	82.5 – 87.4
B-	80.0 – 82.4
C+	77.5 – 79.9
C	72.5 – 77.4
C-	70.0 – 72.4
D+	65.0 – 69.9
D	60.0 - 64.9
F	59.9 and Below

Course Materials.

The following text should be available for text rental at the campus bookstore:

- Don Waldman and Elizabeth Jensen, *Industrial Organization: Theory and Practice*, Fourth Edition: Pearson-Addison Wesley, 2016.

Also, the following excerpt from Luis Cabral's *Introduction to Industrial Organization*, Cambridge: The MIT Press, 2000 will be on electronic reserve [ER]:

- Chapter 7, Oligopoly Competition.

Course Outline and Readings.

I. Foundations of Industrial Organization

A. Introduction to Industrial Organization

- Waldman & Jensen, Chapter 1.

B. Costs of Production

- Waldman & Jensen, Chapter 2.

C. Perfect Competition and Monopoly

- Waldman & Jensen, Chapter 3.

D. The Dominant Firm and Monopoly Practices

- Waldman & Jensen, Chapter 5.

II. Game Theory, Strategic Behavior, and Oligopoly

A. Game Theory

- Waldman & Jensen, Chapter 7.

B. Oligopoly

- Waldman & Jensen, Chapter 8.
- Cabral, Chapter 7 [ER].

III. Business Practices

A. Price Discrimination

- Waldman & Jensen, Chapter 16.

B. Product Differentiation

- Waldman & Jensen, Chapter 13.
- Cabral, Chapter 12 [ER].

C. Advertising

- Waldman & Jensen, Chapter 14